

Residential Building Energy Efficiency Meeting 2010

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Can a better mortgage
save the world?

Save the World from What?

- International conflicts.
- Excessive security concerns and expenses.
- Environmental damage - externalities.
- Climate change.
- Social unrest, injustice.
- Irrational fiscal policy.

\$350,000,000,000.00

**spent on oil imports
every year!**

Important Facts

- 48% of US Energy Consumption is in Buildings.

US Energy Information Administration

- 38% is the average amount of equity in an American home.

<http://pragcap.com/home-equity-stunner>

- The average interest rate of homes in the U.S. is over 6.00%.

www.Efammiemae.com

- Mortgage Rates are at 40 year lows.

www.Mortgage-x.com/history

So how can we use these facts to resolve our energy, environmental and social challenges?

- ▶ Use public funds to provide a *permanent* mortgage loan discount to those homeowners that will invest in **energy efficiency** and **renewable energy**.

Colorado ENERGY STAR Mortgage

A mortgage loan with a reduced interest rate used to purchase an ENERGY STAR new home, or to renovate an existing home for energy efficiency.

- *Matching funds provided by the Governor's Energy Office.*
- *ENERGY STAR homes are usually 30% more energy efficient than a home built to code.*

ENERGY STAR Mortgage Example

On a loan of \$200,000.00 at 5.00% for 30 years, the payment is **\$1,073.00**. If the ESM is used to buy down the rate to 4.75% then the monthly mortgage payment is just **\$1,043.00**.

Savings is **\$30.00** per month.

If the utility bill on the unimproved residence was \$130.00 per month and the energy improvements reduced the bill by 30%:

that saves another **\$39.00** per month.

The combined savings of 69.00 per month at 4.75% for 30 years can finance improvements to the residence of:

\$13,227.00

(6.6% of the purchase price!).

All this, *without* increasing the combined mortgage and utility bills!

ENERGY STAR® Mortgage - Savings Calculator

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Mortgage Savings

Current Mortgage Amount	\$ 120,000.00
Current Mortgage Rate	5.000%
Current Mortgage Market Interest Rate (30 year fixed rate financing.)	5.000%
Rate reduction due to ESM (Ranges from 0.250% to 0.500% on current market conditions.)	0.250%
New ENERGY STAR Mortgage Rate	4.750%
Monthly Payment Savings (Attributed to lower mortgage rate.)	\$ 18.21
At that rate you can afford to finance this additional amount for the same monthly mortgage payment as your current mortgage.	\$3,490.70

Please note: This spreadsheet is intended for use as an informational tool. It is the user's responsibility to understand the figures expressed and how changes in market rates, energy savings, and public policies can alter those figures.

What is your current monthly utility bill?	\$ 110.00
What is the anticipated reduction in this bill? (Home Performance with ENERGY STAR savings are often 30%.)	30%
Monthly bill savings from reduced consumption.	\$ 33.00
With that savings you could finance this much more in your mortgage without spending more per month on your total bills.	\$6,326.11

This is the amount of home improvements that could be financed with the lower interest rate and anticipated savings on your utility bill with NO increase in your monthly expenses.	\$9,816.81
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ENERGY STAR® Mortgage - Savings Calculator

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Mortgage Savings

Current Mortgage Amount	\$ 300,000.00
Current Mortgage Rate	5.000%
Current Mortgage Market Interest Rate (30 year fixed rate financing.)	5.000%
Rate reduction due to ESM (Ranges from 0.250% to 0.500% on current market conditions.)	0.250%
New ENERGY STAR Mortgage Rate	4.750%
Monthly Payment Savings (Attributed to lower mortgage rate.)	\$ 45.52
At that rate you can afford to finance this additional amount for the same monthly mortgage payment as your current mortgage.	\$8,726.75

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What is your current monthly utility bill?	\$ 200.00
What is the anticipated reduction in this bill? (Home Performance with ENERGY STAR savings are often 30%.)	30%
Monthly bill savings from reduced consumption.	\$ 60.00
With that savings you could finance this much more in your mortgage without spending more per month on your total bills.	\$11,502.02

This is the amount of home improvements that could be financed with the lower interest rate and anticipated savings on your utility bill with NO increase in your monthly expenses.	\$20,228.77
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ENERGY STAR® Mortgage - Savings Calculator

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Mortgage Savings

Current Mortgage Amount	\$ 250,000.00
Current Mortgage Rate	5.500%
Current Mortgage Market Interest Rate (30 year fixed rate financing.)	5.000%
Rate reduction due to ESM (Ranges from 0.250% to 0.500% on current market conditions.)	0.250%
New ENERGY STAR Mortgage Rate	4.750%
Monthly Payment Savings (Attributed to lower mortgage rate.)	\$ 115.35
At that rate you can afford to finance this additional amount for the same monthly mortgage payment as your current mortgage.	\$22,113.44

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What is your current monthly utility bill?	\$ 175.00
What is the anticipated reduction in this bill? (Home Performance with ENERGY STAR savings are often 30%.)	25%
Monthly bill savings from reduced consumption.	\$ 43.75
With that savings you could finance this much more in your mortgage without spending more per month on your total bills.	\$8,386.89

This is the amount of home improvements that could be financed with the lower interest rate and anticipated savings on your utility bill with NO increase in your monthly expenses.	\$30,500.33
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Many Homeowners want to improve the energy efficiency of their homes, but have faced

Three Financial Challenges

1. Upfront cost are beyond their financial ability.
2. Monthly cost to finance improvements is too high.
3. Financing is unavailable.

Mortgage Advantages

Costs

- Nothing down.
- Nothing a month
- Nothing in the long run.

Availability

If you can afford a mortgage, you should be able to afford an ENERGY STAR Mortgage.

Gaps

- Continuity of Funding
- Promotion and Public Outreach
- Speed to Market
- Lender Education and Participation

The Big Question

Why would anyone want to live in a drafty,
uncomfortable, energy wasting home, when...

they could live in a comfortable, energy
efficient, home that is worth more money...
and pay less to own it?

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For additional information about the
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or the
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